According to the U.S. Commerce Department’s advance estimate, the annualized growth rate of real GDP in 2004:IIIQ was 3.7%. This was 0.4 percentage point (pp) higher than the second-quarter growth rate of 3.3%, and only 0.1 pp lower than the Blue Chip forecast of 3.8% for the third quarter. Growth was supported by a rebound in consumption spending and continued strength in business spending on equipment and software.

Personal consumption expenditures’ contribution to the change in real GDP reached its highest level of the last four quarters, increasing by 2.1 pp in 2004:IIIQ. By contrast, contributions from both residential investment and change in inventories dropped to their lowest levels of the year. Exports accounted for 0.5 pp, while imports subtracted 1.1 pp, with the net effect of decreasing real GDP by $17.7 billion.

The advance estimate of 2004:IIIQ growth was only slightly lower than the Blue Chip economists’ forecasts for the quarter, and equal to their forecasts for 2004:IVQ. For 2005, they expect the economy to grow at a steady rate of 3.5%. However, forecasts are apt to change over time as new information comes in. For example, the Blue Chip growth forecast for 2004:IIIQ–2005:IIIQ has been revised downward each month since May; July’s forecast of 4.2% growth in 2004:IVQ was revised down to 3.5% by September. Forecasts are likely to change even in a one-month period, as they did between September and October for four of the five quarters shown.
Much has been made of the economy’s weak employment growth since the end of the last recession. The charts above summarize the behavior of employment over the 11 business cycles since World War II; each line represents a different business cycle.

Typically, employment falls until the trough is reached, then rises. Employment growth since the last trough (November 2001) has been modest. Of the 11 business cycles in the charts, only one showed weaker employment performance: The 1980 recession, which was followed quickly by the 1981–82 recession. Even the “jobless recovery” after the 1990–92 recession saw job growth 24 to 36 months after the recovery began.

Employment performance since the end of the last recession has been unusual, as it was prior to the trough. Only three recessions had smaller job losses leading up to the trough: 1969–71, 1980, and 1990–91. One explanation for why firms have not created many jobs since the end of the recession is that they did not cut jobs in the first place.

Leading up to a peak, employment typically is rising; it falls immediately after the peak, then rises again. On this score, the 2001 recession was also atypical. Leading up to the peak, employment was relatively high, exceeded only by the 1945, 1958–59 and 1981–82 recessions. However, given the relatively small number of recessions (11), and the range of variability across recessions, it is difficult to say how atypical the 2001 recession was.